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1938

Roy Wenzlick
Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

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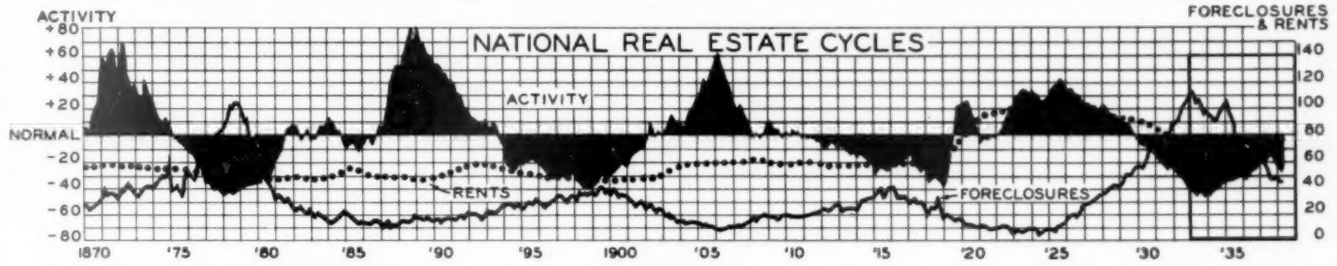
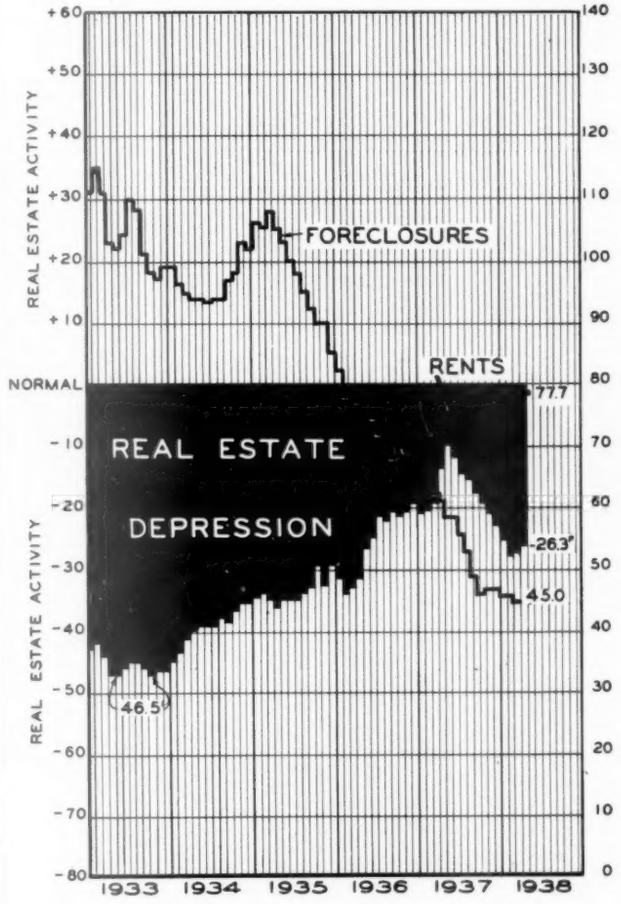
Real Estate Economists, Appraisers and Counselors





EXPLANATION OF THE CHARTS

The charts above show booms and depressions in real estate from 1870 to the present. The large black areas above the line represent the real estate booms and the black areas below the line represent the real estate depressions.

The level of residential rents, indicated by the dotted red line, is charted, not as a percentage above or below a normal line, but as an index (1926=100) from the bottom of the chart and is read on the right hand scale, as is the index of the number of foreclosures per month per 100,000 families, shown by the solid red line. The lower chart is the last six years of the upper chart enlarged to show monthly fluctuations.

THE improvement which started in March in real estate activity continued in April and in May, in so far as can be estimated from such May figures as are now available.

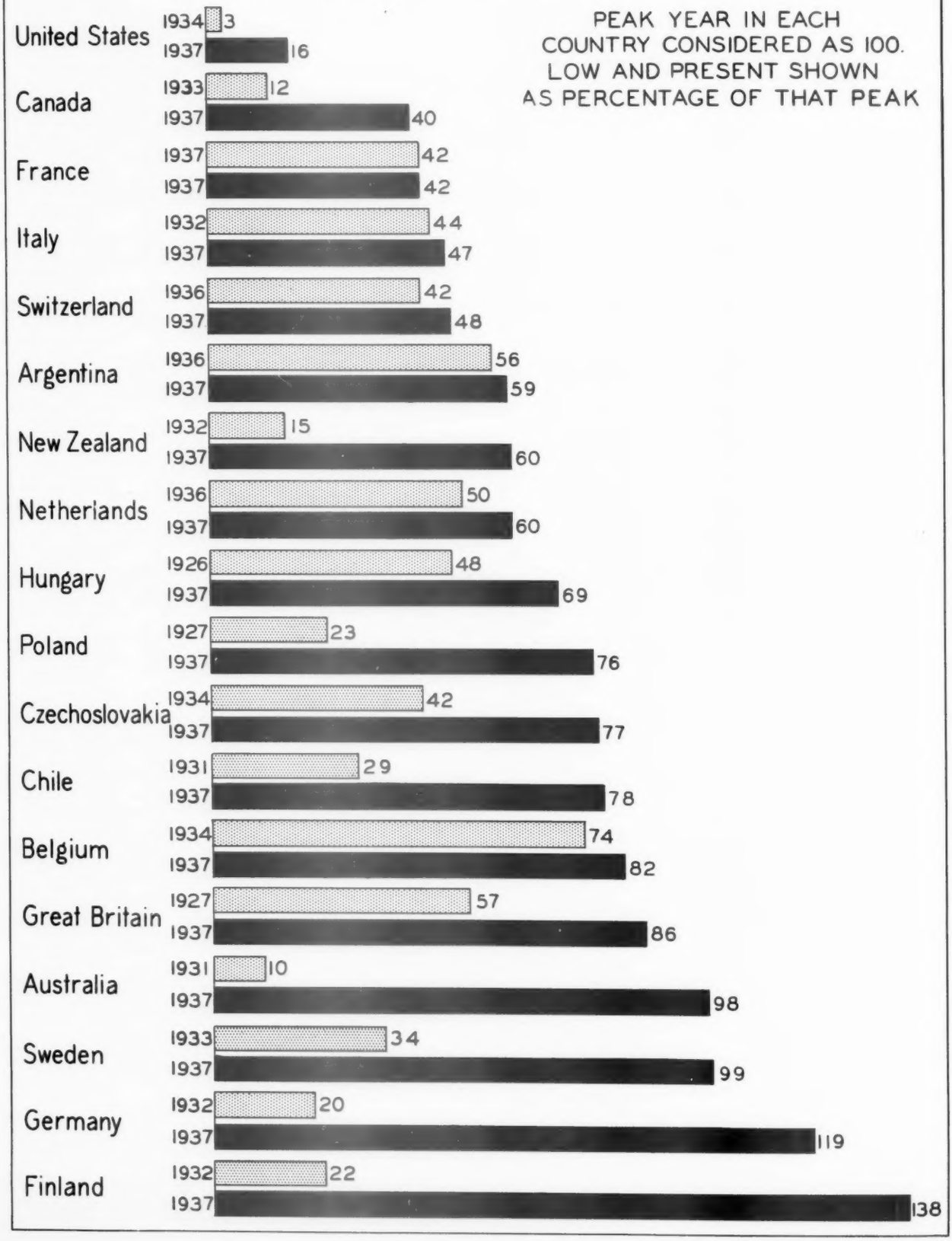
In April of 1933 real estate activity on our index reached an all-time low of 46.5% below normal. By May, 1937, it had advanced to within 9.7% of normal. The reaction in general business carried it back to 27.7% below in February, 1938. The progress since then has been very slow but consistent.

Foreclosures declined to 45 per month per 100,000 urban families, the lowest figure since March, 1929.

Our national index of rents advanced by 0.3%, which is significant only as an indication that so far unfavorable business conditions have not been able to break entirely the strong upward surge in rents which started a little more than a year ago.

The United States is in a critical position at the present time. Either a rising volume of new construction will bring the stimulant necessary to revive business or the general industrial apathy will choke out such building which is now contemplated. In the latter case, the depression will sink to lower levels.

COLLAPSE AND RECOVERY IN WORLD RESIDENTIAL CONSTRUCTION

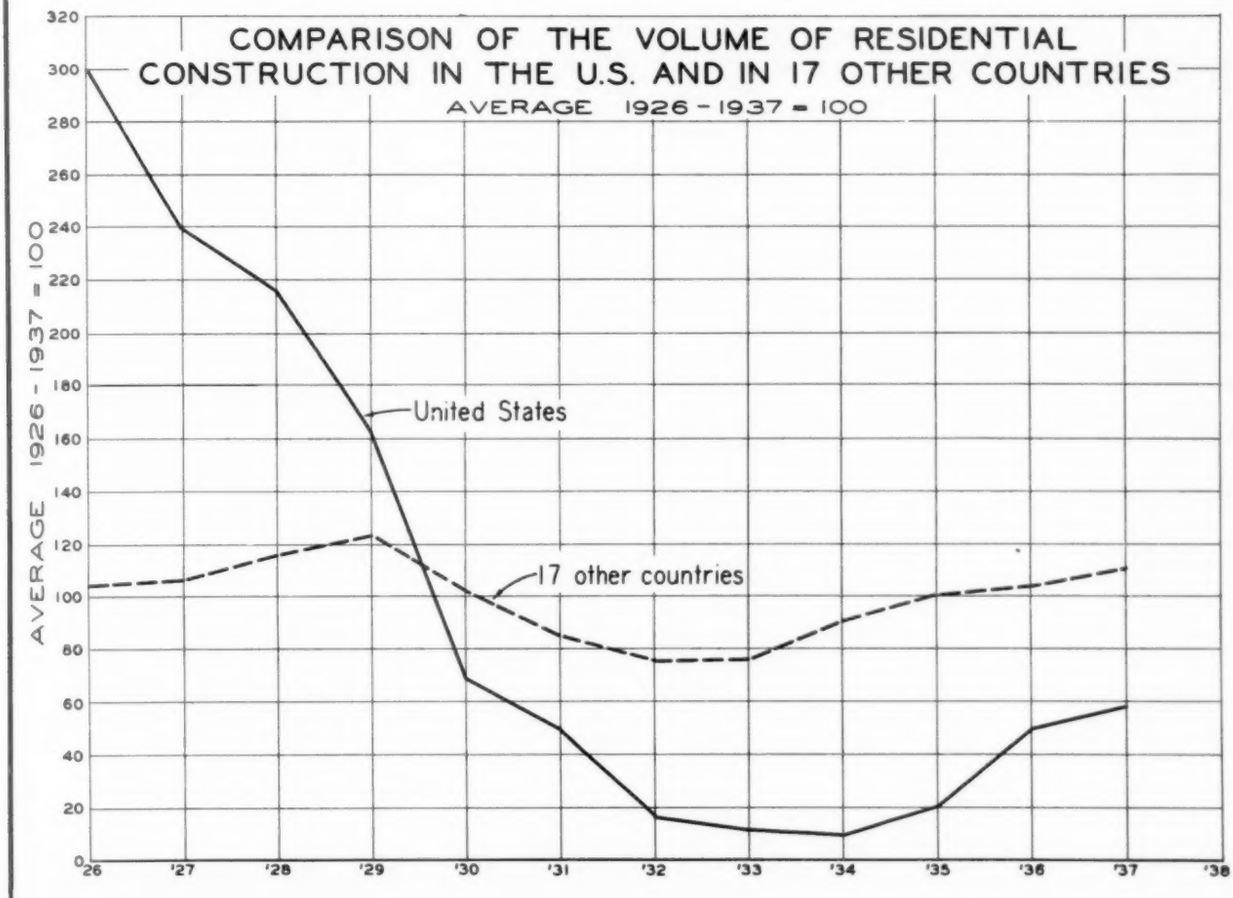

PEAK YEAR IN EACH COUNTRY CONSIDERED AS 100. LOW AND PRESENT SHOWN AS PERCENTAGE OF THAT PEAK
United States 1934 3 1937 16
Canada 1933 12 1937 40
France 1937 42 1937 42
Italy 1932 44 1937 47
Switzerland 1936 42 1937 48
Argentina 1936 56 1937 59
New Zealand 1932 15 1937 60
Netherlands 1936 50 1937 60
Hungary 1926 48 1937 69
Poland 1927 23 1937 76
Czechoslovakia 1934 42 1937 77
Chile 1931 29 1937 78
Belgium 1934 74 1937 82
Great Britain 1927 57 1937 86
Australia 1931 10 1937 98
Sweden 1933 34 1937 99
Germany 1932 20 1937 119
Finland 1932 22 1937 138

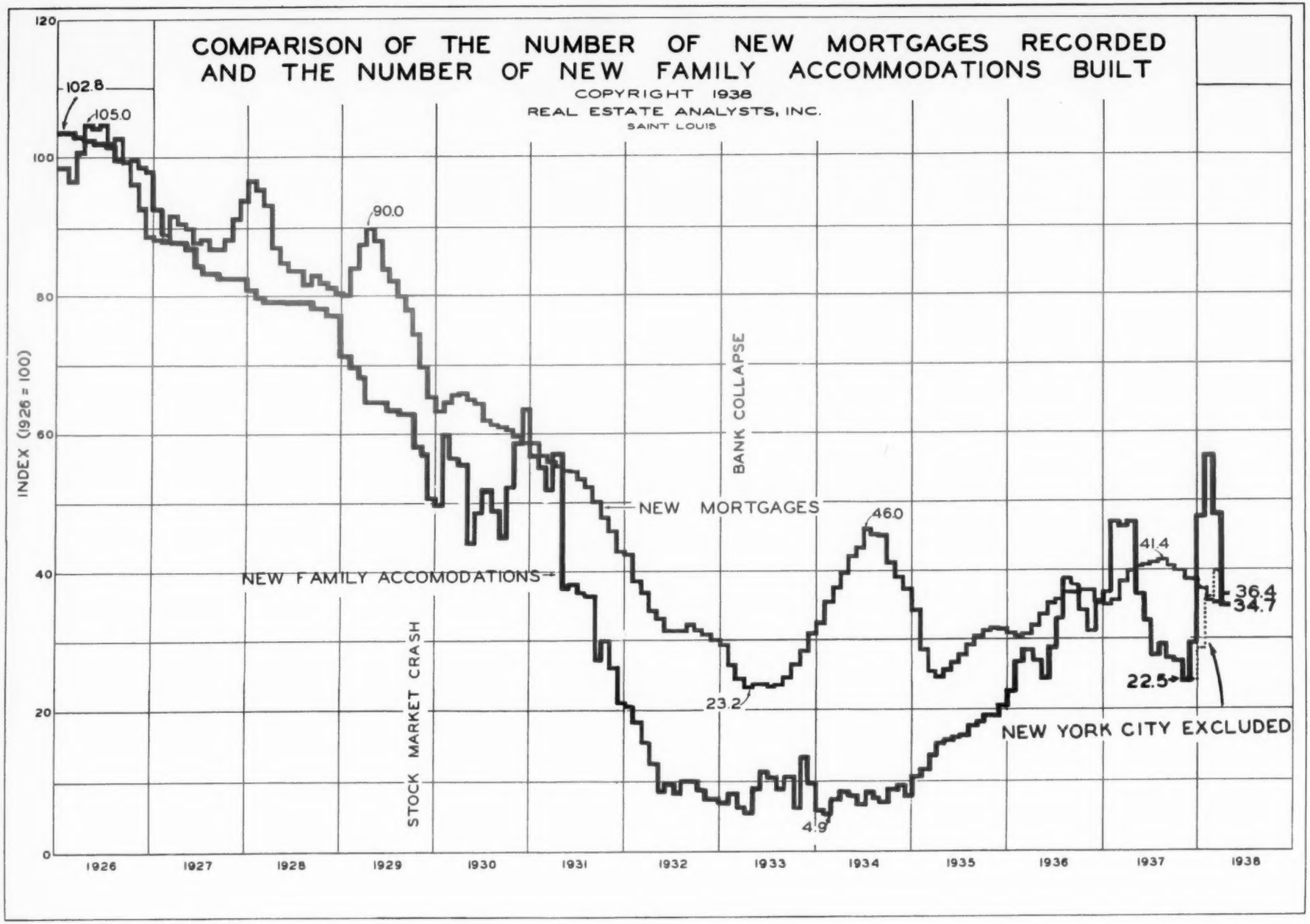
RESIDENTIAL BUILDING IN EIGHTEEN COUNTRIES

ON the chart on the opposite page we have shown the relative collapse and recovery in the volume of residential building in eighteen countries of the world. Every country on which comparable figures could be obtained was used in this study. In each country the volume of building in the peak year was considered as 100. The top bar for each country shows the volume in the lowest year as a percentage of this peak; and the lower bar, the volume in 1937.

Both the extent of the collapse in building in the United States in 1934 and the relatively small recovery in 1937 is quite striking. It can be argued that the United States is not a matured country, and that therefore the volume of building during the last boom was so great that the 1934 level and the 1937 recovery are small in proportion. However, many other immature countries are included in the list. Argentina, Australia, Canada, Chile and New Zealand were purposely included for this reason. It will be noticed that both Finland and Germany set new peaks in 1937. Both are matured countries.

On the chart below we compare the average of building in the eighteen countries with building in the United States.




COMPARISON OF THE NUMBER OF NEW MORTGAGES RECORDED AND THE NUMBER OF NEW FAMILY ACCOMMODATIONS BUILT
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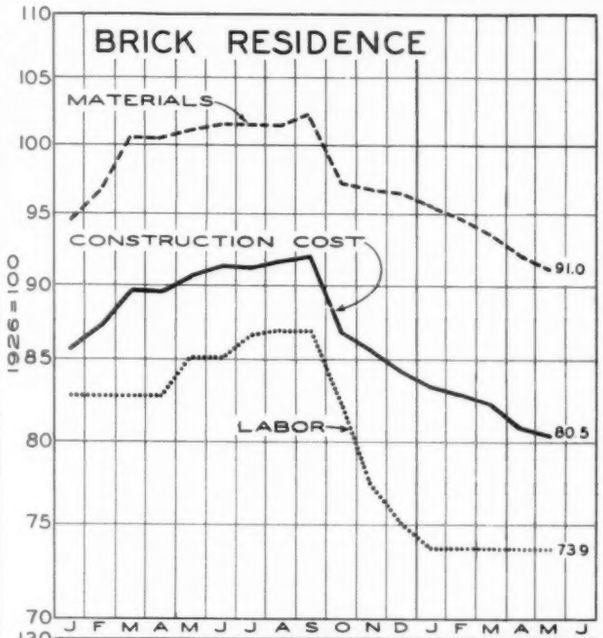
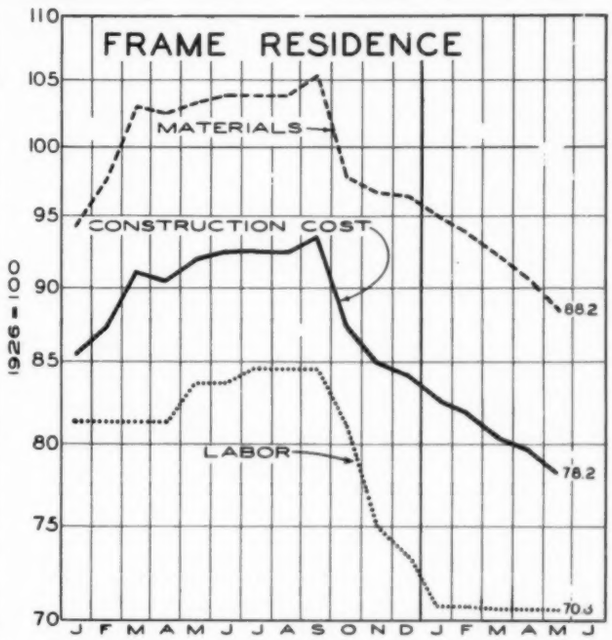
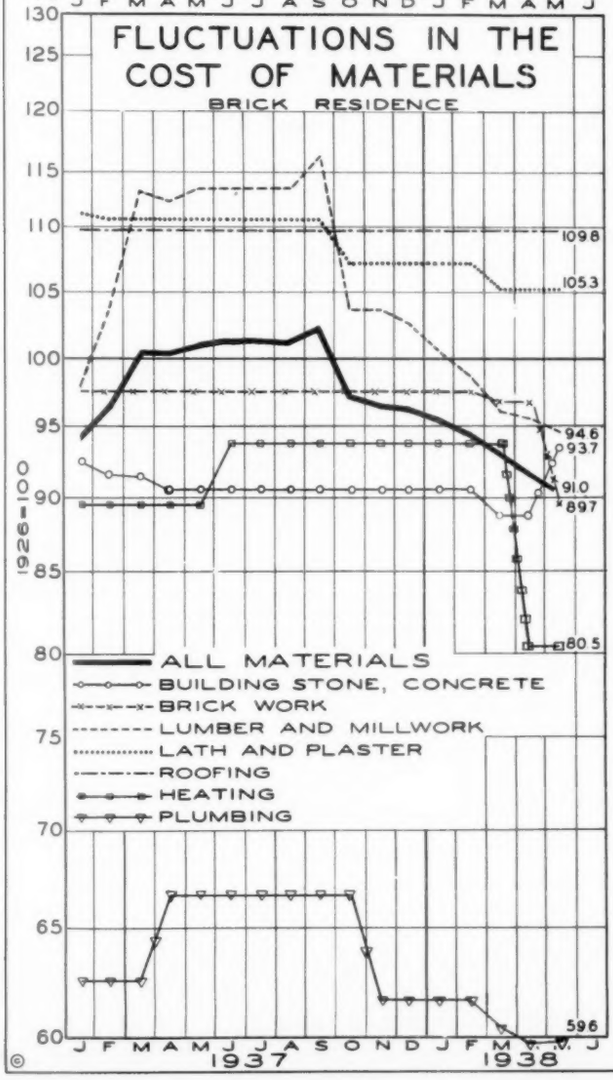
SAINT LOUIS
INDEX (1926 = 100)
120
100
80
60
40
20
0
102.8
105.0
90.0
NEW MORTGAGES
NEW FAMILY ACCOMODATIONS
BANK COLLAPSE
STOCK MARKET CRASH
46.0
41.4
36.4
34.7
22.5
23.2
4.9
NEW YORK CITY EXCLUDED
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938

CONSTRUCTION COSTS BY MONTHS







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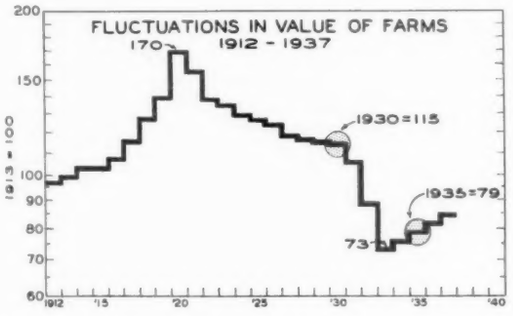
IN an effort to find out how rapidly actual construction costs have been changing in the last few months we have refigured for St. Louis for each of the past sixteen months the brick and frame buildings illustrated in our December, 1937, report. Our figures as charted on this page include all items of material, labor and overhead, even including the cost of permits and the profits of the subcontractors and the contractor. The cost of materials was secured item by item from the actual delivered prices on the job, and the labor costs were computed from wages actually paid rather than from some theoretical wage rate. The rapid drop in costs which started in September of last year continued through May , and has extended to practically all cities of the United States. It will be noticed that the decline this last month was due entirely to a drop in the prices of materials as labor costs remained constant.

COUNTIES SHOWING IMPROVEMENT OR RETROGRESSION IN REAL ESTATE VALUES

THE map to the right shows the relative changes by counties in the average value of farms from 1930-1935. Practically all farms today are worth less than they were in 1930, as values collapsed from 1920 until 1933, since which time they have shown some recovery. In the highest fifth of all counties (shown in dark red on the map) values in 1935 were 75% or more of the 1930 values. Last month the Real Estate Analyst contained a study grading each county on four factors. It seems to us that changes in values of farms, more or less favorable than the national average as shown on the map to the right, should prove of considerable help in determining the trends in various sections of the United States. This should also prove of worth to those who are interested primarily in city property. Unless the trading territory of a city is prosperous, the chances for progress in that city are less than they would otherwise be. For comparative purposes, we have shown below the fluctuations in the average value of farms in the United States from 1912 through 1937, calling 1913 values 100.

Index of Farm Values 1913-100

1912- 97	1919-140	1926-124	1933- 73
1913-100	1920-170	1927-119	1934- 76
1914-103	1921-157	1928-117	1935- 79
1915-103	1922-139	1929-116	1936- 82
1916-108	1923-135	1930-115	1937- 85
1917-117	1924-130	1931-106	
1918-129	1925-127	1932- 89	

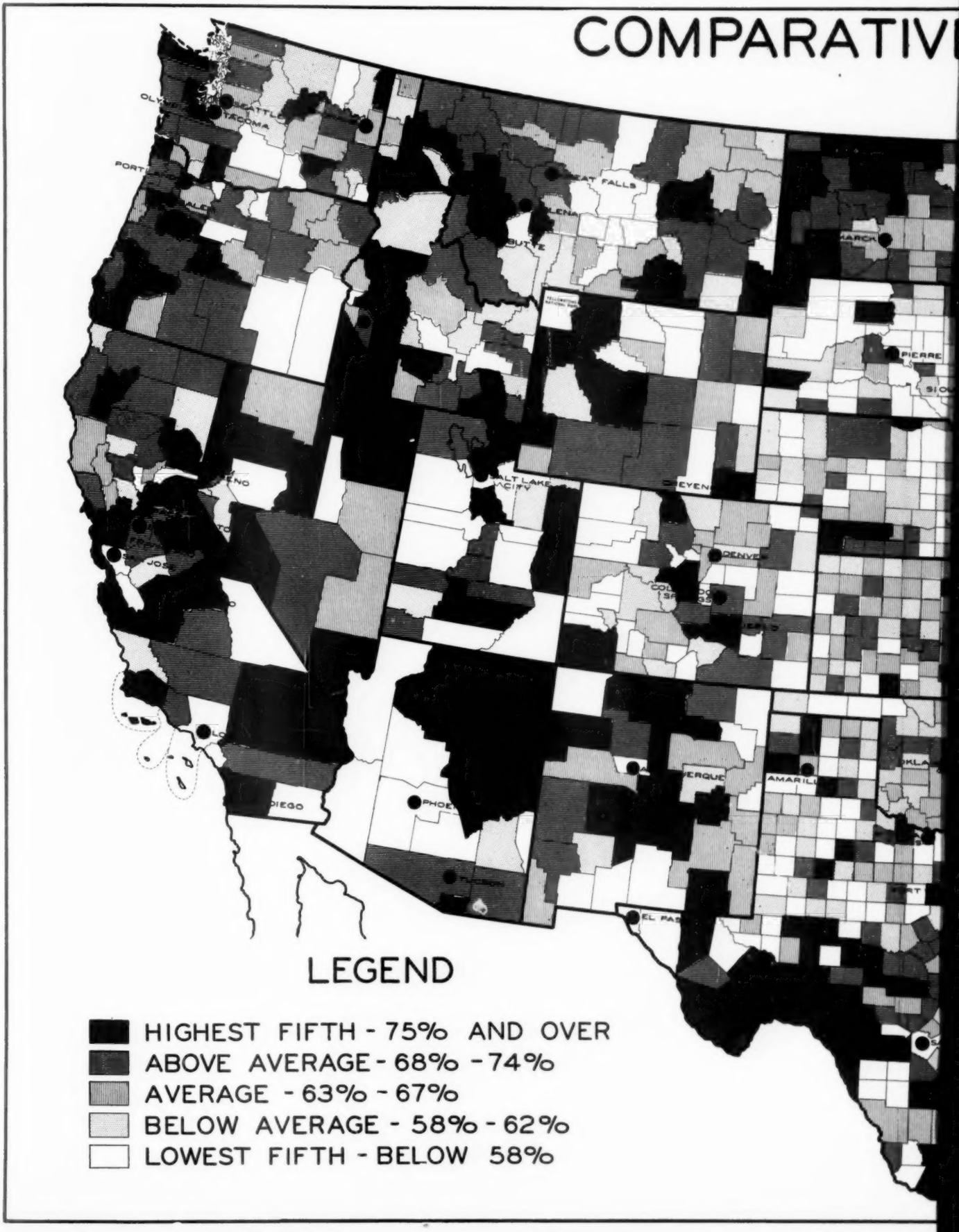


F.H.A. AND NEW BUILDING

ON page 955 we show the chart on FHA mortgages selected for appraisal and mortgages accepted for insurance. When we ran this chart a month ago, the March and April figures were not available on loans accepted for insurance; but we said then that we thought the behavior of the lines on our chart showing the weekly figures on loans selected for appraisal would indicate that loans accepted for insurance would shortly run ahead of a year ago. It will be noticed that they are now running ahead by a considerable margin.

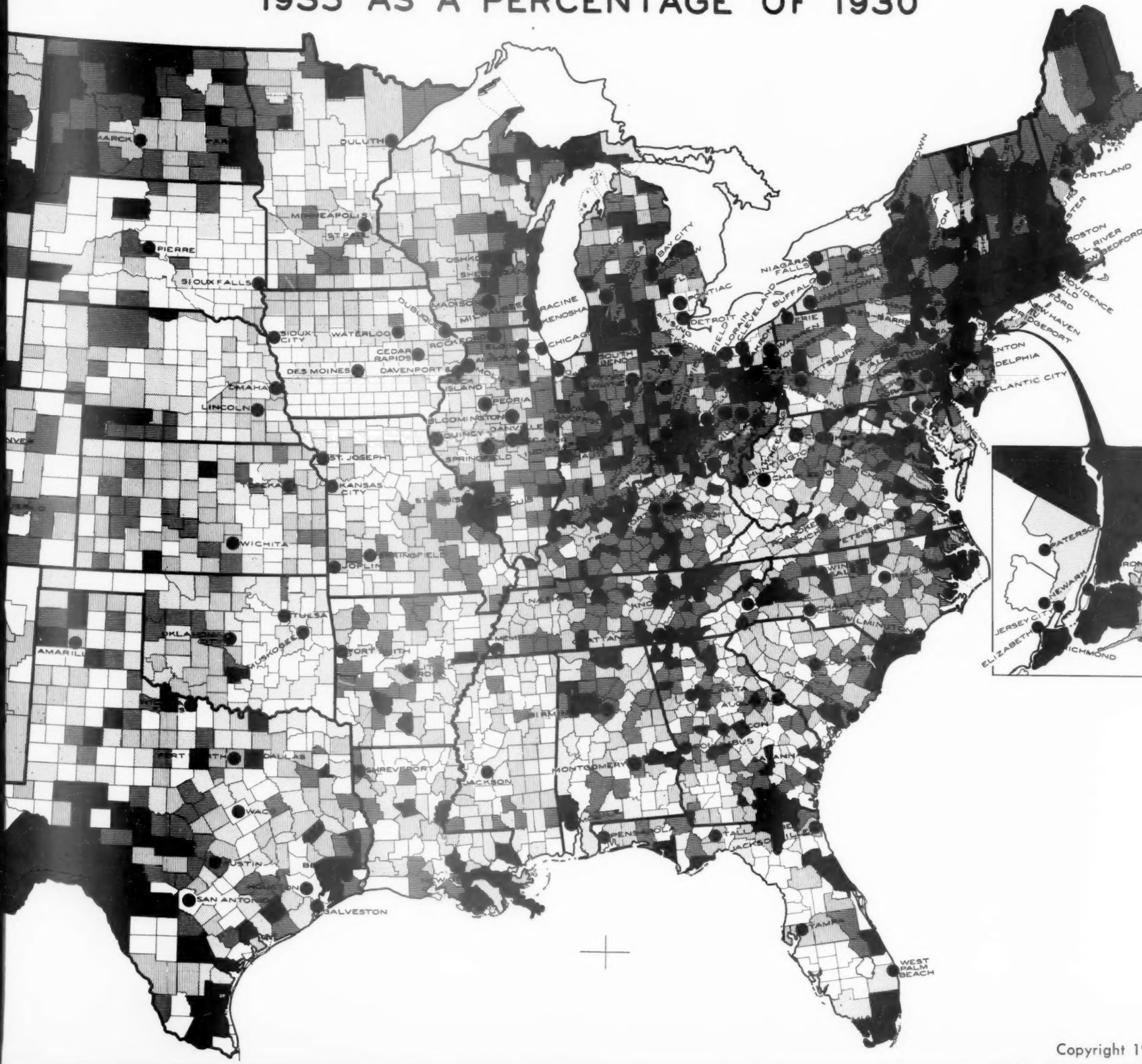
That this does not entirely represent a switch to insured loans from other sources is indicated by the fact that, for the first time in many months, new residential building so far in May is running slightly ahead of a year ago in many sections of the United States as well as for the country as a whole.

It is our opinion that, unless general business activity drops further this summer, residential building will run above a year ago for the remainder of the year, slightly above during the summer, and increasing the spread as the year progresses. If, however, fresh shocks to confidence occur either from foreign or local sources, some of the building now contemplated will be postponed for more propitious times.


COMPARATIVE
LEGEND
HIGHEST FIFTH - 75% AND OVER
ABOVE AVERAGE - 68% - 74%
AVERAGE - 63% - 67%
BELOW AVERAGE - 58% - 62%
LOWEST FIFTH - BELOW 58%

ARATIVE CHANGE IN FARM VALUES

1935 AS A PERCENTAGE OF 1930



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Saint Louis

MORTGAGES SELECTED FOR APPRAISAL AND MORTGAGES ACCEPTED FOR INSURANCE BY THE F.H.A.

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MILLIONS OF DOLLARS

120
110
100
90
80
70
60
50
40
30
20
10
0

1938 MORTGAGES SELECTED FOR APPRAISAL

1937 MORTGAGES SELECTED FOR APPRAISAL

1938 MORTGAGES ACCEPTED FOR INSURANCE

1937 MORTGAGES ACCEPTED FOR INSURANCE

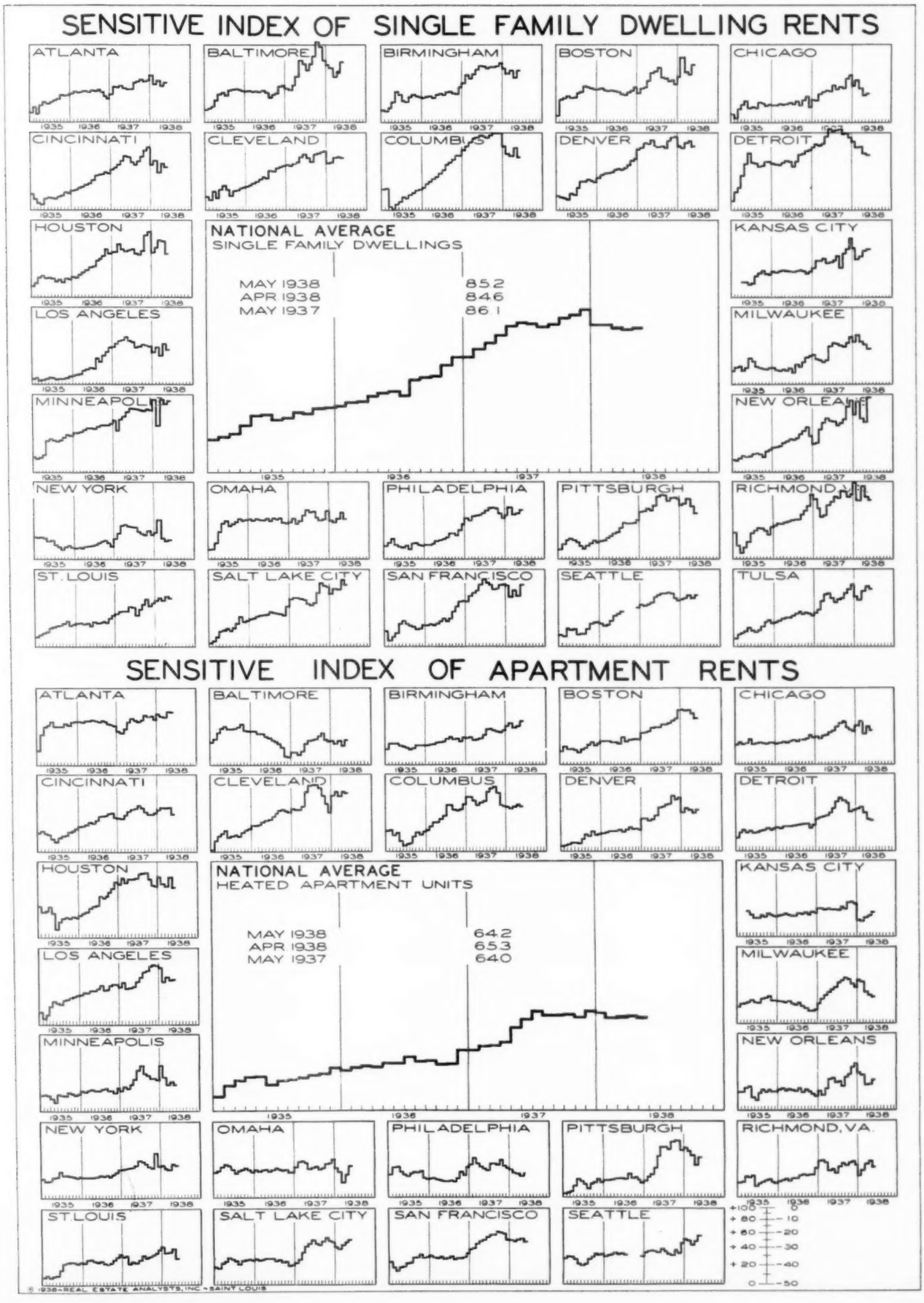
F.H.A. Amended

JAN. FEB. MAR. APR. MAY JUN. JUL. AUG. SEP. OCT. NOV. DEC.

FOR AN EXPLANATION OF THIS CHART SEE BOTTOM OF PAGE 952

SENSITIVE RENT INDEX

ON the page opposite we show our sensitive rent index in contrast with our regular index on pages 958 and 959. This sensitive index reacts in an exaggerated fashion to changes in conditions. While it is of less value than our regular index in determining relative rent levels, it is extremely interesting in the sharp reversals of trends brought almost immediately by changes in industrial conditions.


SENSITIVE INDEX OF SINGLE FAMILY DWELLING RENTS
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DENVER
DETROIT
HOUSTON
NATIONAL AVERAGE
SINGLE FAMILY DWELLINGS
MAY 1938 852
APR 1938 846
MAY 1937 86.1
KANSAS CITY
LOS ANGELES
MILWAUKEE
MINNEAPOLIS
NEW ORLEANS
NEW YORK
OMAHA
PHILADELPHIA
PITTSBURGH
RICHMOND, VA.
ST. LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
TULSA
1935 1936 1937 1938
SENSITIVE INDEX OF APARTMENT RENTS
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DENVER
DETROIT
HOUSTON
NATIONAL AVERAGE
HEATED APARTMENT UNITS
MAY 1938 642
APR 1938 653
MAY 1937 640
KANSAS CITY
LOS ANGELES
MILWAUKEE
MINNEAPOLIS
NEW ORLEANS
NEW YORK
OMAHA
PHILADELPHIA
PITTSBURGH
RICHMOND, VA.
ST. LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
1935 1936 1937 1938
+100 0
+80 10
+60 20
+40 30
+20 40
0 50
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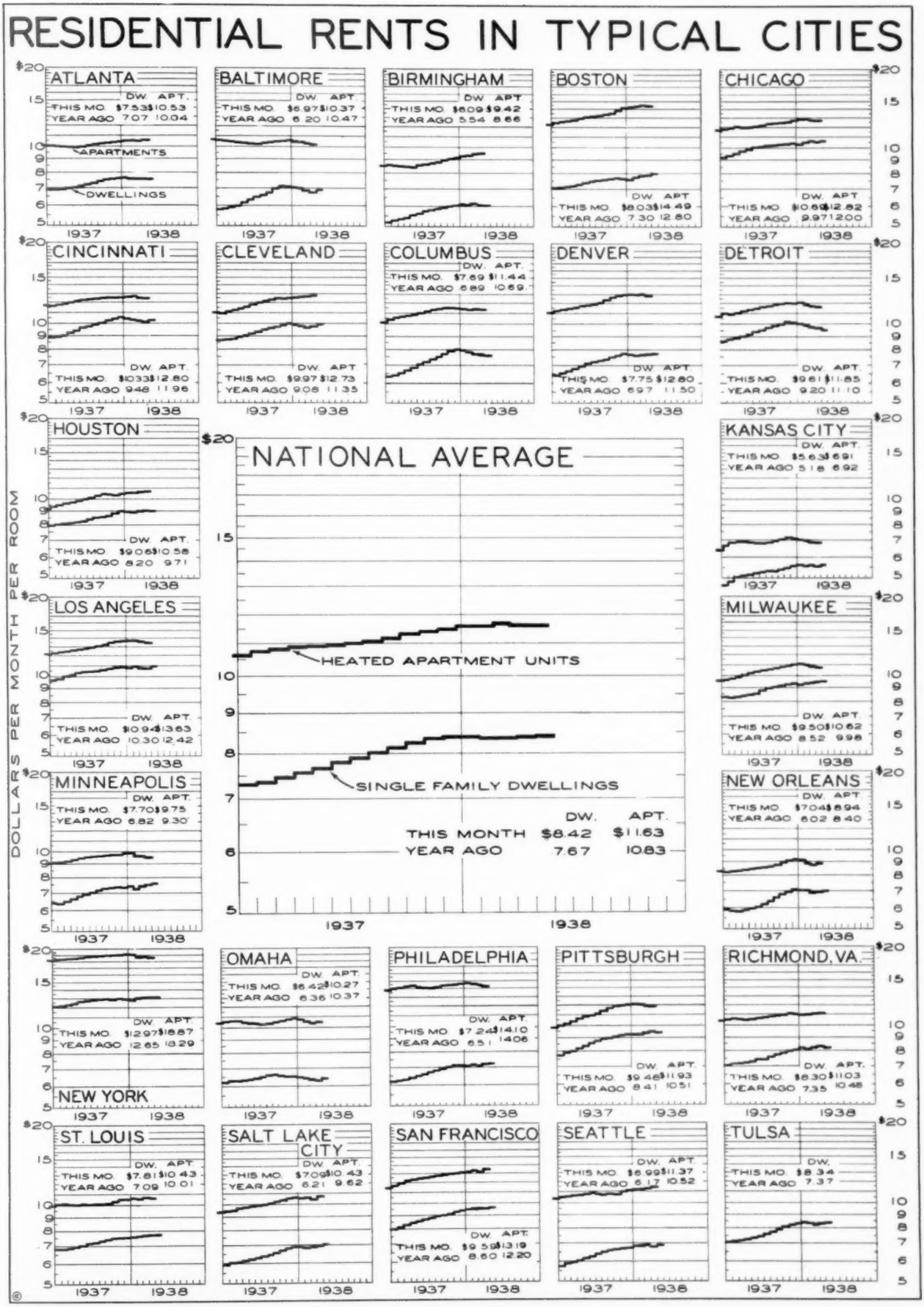
THE REAL ESTATE ANALYST INDEX OF RESIDENTIAL RENTS

THE table below shows the residential rent figures charted by months on the page opposite. This is the revised index of residential rents which appeared in the Real Estate Analyst for the first time in the February issue. All rents are expressed in dollars per month per room. This makes possible a comparison of rent levels between different cities, and in the same city between heated and unheated units. The twenty-six cities selected are typical cities scattered from coast to coast. The method of computing this index is described on page 889 in the February, 1938, Real Estate Analyst.

	1937											1938				
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
National Index	$7.36	$7.46	$7.55	$7.67	$7.80	$7.90	$8.04	$8.12	$8.23	$8.33	$8.36	$8.36	$8.35	$8.35	$8.37	$8.42
SINGLE FAMILY DWELLINGS																
Atlanta	6.93	6.96	7.03	7.07	7.14	7.20	7.31	7.43	7.52	7.56	7.58	7.60	7.56	7.53	7.53	7.53
Baltimore	5.87	5.93	6.03	6.20	6.37	6.48	6.60	6.77	7.02	7.18	7.15	7.10	6.98	6.90	6.77	6.97
Birmingham	5.32	5.39	5.47	5.54	5.62	5.73	5.81	5.88	5.93	6.02	6.07	6.08	6.08	6.14	6.09	6.09
Boston	7.14	7.15	7.18	7.30	7.41	7.52	7.57	7.63	7.67	7.70	7.68	7.65	7.91	7.93	7.95	8.03
Chicago	9.40	9.58	9.83	9.97	10.10	10.15	10.20	10.26	10.30	10.32	10.35	10.30	10.43	10.69	10.67	10.69
Cincinnati	8.97	9.09	9.30	9.48	9.68	9.82	9.92	10.03	10.18	10.34	10.51	10.42	10.34	10.29	10.27	10.33
Cleveland	8.75	8.79	8.91	9.08	9.25	9.37	9.52	9.68	9.80	9.94	10.01	9.92	9.74	9.72	9.86	9.97
Columbus	6.43	6.57	6.72	6.89	7.07	7.24	7.40	7.57	7.73	7.91	8.03	7.98	7.85	7.71	7.70	7.69
Denver	6.57	6.69	6.82	6.97	7.12	7.23	7.32	7.40	7.54	7.65	7.75	7.73	7.69	7.70	7.71	7.75
Detroit	8.80	8.90	9.02	9.20	9.42	9.60	9.74	9.91	10.02	10.15	10.12	10.01	9.85	9.75	9.72	9.61
Houston	8.05	8.12	8.17	8.20	8.30	8.42	8.52	8.59	8.69	8.86	9.04	8.98	8.96	9.03	9.06	9.06
Kansas City	4.88	5.07	5.13	5.18	5.24	5.31	5.37	5.35	5.40	5.48	5.60	5.63	5.60	5.62	5.61	5.63
Los Angeles	9.87	10.02	10.19	10.30	10.38	10.40	10.47	10.58	10.70	10.81	10.88	10.86	10.89	10.87	10.87	10.94
Milwaukee	8.31	8.35	8.42	8.52	8.59	8.86	9.03	9.15	9.22	9.26	9.27	9.25	9.26	9.31	9.41	9.50
Minneapolis	6.47	6.56	6.68	6.82	6.96	7.09	7.23	7.32	7.37	7.40	7.39	7.46	7.41	7.47	7.64	7.70
New Orleans	5.91	5.90	5.93	6.02	6.13	6.26	6.43	6.63	6.82	6.98	7.13	7.07	7.04	6.98	6.92	7.04
New York	12.12	12.30	12.45	12.65	12.75	12.82	12.93	12.99	12.98	13.00	12.99	12.92	13.01	13.02	13.05	12.97
Omaha	6.30	6.30	6.31	6.36	6.46	6.54	6.64	6.65	6.62	6.58	6.58	6.50	6.42	6.40	6.36	6.42
Philadelphia	6.26	6.34	6.42	6.51	6.53	6.73	6.85	6.95	7.05	7.13	7.13	7.11	7.14	7.12	7.22	7.24
Pittsburgh	7.92	8.07	8.24	8.41	8.63	8.81	8.97	9.04	9.14	9.25	9.29	9.29	9.33	9.45	9.51	9.48
Richmond	7.21	7.23	7.27	7.35	7.48	7.66	7.80	7.95	8.09	8.15	8.15	8.29	8.25	8.30	8.39	8.30
Saint Louis	6.88	6.92	6.98	7.09	7.20	7.26	7.36	7.45	7.53	7.58	7.59	7.60	7.64	7.70	7.73	7.81
Salt Lake City	6.02	6.08	6.15	6.21	6.30	6.37	6.46	6.57	6.70	6.82	6.92	6.92	6.91	6.92	6.99	7.09
San Francisco	8.19	8.35	8.48	8.60	8.73	8.85	8.96	9.04	9.17	9.31	9.41	9.50	9.52	9.55	9.55	9.59
Seattle	5.90	5.98	6.07	6.17	6.28	6.42	6.52	6.61	6.66	6.70	6.72	6.85	6.94	6.95	6.90	6.99
Tulsa	7.15	7.20	7.25	7.37	7.46	7.60	7.76	7.92	8.12	8.25	8.37	8.40	8.24	8.23	8.27	8.34
HEATED APARTMENT UNITS																
National Index	10.67	10.75	10.80	10.83	10.91	11.00	11.07	11.17	11.28	11.40	11.49	11.58	11.58	11.67	11.63	11.63
Atlanta	10.09	10.06	10.04	10.04	10.03	10.04	10.09	10.20	10.30	10.37	10.40	10.45	10.52	10.53	10.50	10.53
Baltimore	10.59	10.54	10.50	10.47	10.43	10.40	10.38	10.41	10.47	10.52	10.52	10.57	10.52	10.51	10.43	10.37
Birmingham	8.70	8.69	8.68	8.66	8.65	8.69	8.75	8.85	8.92	9.03	9.14	9.26	9.33	9.35	9.41	9.42
Boston	12.40	12.53	12.69	12.80	12.98	13.11	13.22	13.35	13.50	13.65	13.91	14.20	14.35	14.52	14.62	14.49
Chicago	11.87	11.95	12.02	12.00	12.01	12.04	12.18	12.30	12.38	12.43	12.46	12.60	12.81	12.90	12.83	12.82
Cincinnati	11.76	11.80	11.89	11.96	12.11	12.23	12.31	12.45	12.52	12.60	12.67	12.68	12.73	12.82	12.81	12.80
Cleveland	10.99	11.09	11.19	11.35	11.50	11.70	11.89	12.08	12.25	12.33	12.30	12.42	12.50	12.54	12.62	12.73
Columbus	10.38	10.51	10.60	10.69	10.80	10.92	11.08	11.29	11.41	11.46	11.46	11.46	11.45	11.45	11.48	11.44
Denver	11.21	11.33	11.45	11.50	11.61	11.70	11.79	11.99	12.25	12.58	12.83	12.86	12.89	12.90	12.93	12.80
Detroit	10.73	10.85	10.97	11.10	11.21	11.38	11.55	11.63	11.76	11.85	11.91	11.96	12.00	11.98	11.89	11.85
Houston	9.30	9.47	9.58	9.71	9.86	10.00	10.09	10.21	10.30	10.29	10.27	10.37	10.37	10.48	10.55	10.58
Kansas City	6.65	6.90	6.92	6.92	6.91	6.90	6.88	6.90	6.95	7.03	7.09	7.04	6.98	6.97	6.93	6.91
Los Angeles	12.19	12.31	12.42	12.47	12.53	12.62	12.81	13.01	13.24	13.42	13.59	13.71	13.77	13.80	13.70	13.63
Milwaukee	9.62	9.75	9.86	9.98	10.12	10.26	10.35	10.49	10.59	10.65	10.70	10.72	10.77	10.72	10.71	10.62
Minneapolis	9.03	9.10	9.19	9.30	9.40	9.53	9.60	9.64	9.65	9.68	9.68	9.80	9.84	9.82	9.82	9.75
New Orleans	8.27	8.28	8.34	8.40	8.48	8.54	8.57	8.68	8.80	8.96	9.15	9.20	9.08	8.88	8.78	8.94
New York	18.20	18.25	18.26	18.29	18.38	18.50	18.59	18.70	18.83	18.95	18.98	19.00	19.00	18.87	18.91	18.87
Omaha	10.40	10.43	10.43	10.37	10.35	10.35	10.34	10.35	10.40	10.48	10.61	10.62	10.52	10.38	10.19	10.27
Philadelphia	13.85	13.96	14.05	14.06	14.00	14.00	13.99	14.00	14.10	14.14	14.18	14.22	14.27	14.25	14.22	14.10
Pittsburgh	9.91	10.10	10.31	10.51	10.72	10.92	11.14	11.34	11.60	11.76	11.88	11.90	11.98	11.98	11.93	11.93
Richmond	10.42	10.48	10.46	10.46	10.48	10.53	10.59	10.69	10.75	10.88	10.92	10.90	10.97	10.98	11.00	11.03
Saint Louis	9.91	9.92	9.97	10.01	10.01	10.00	9.98	10.01	10.08	10.13	10.24	10.35	10.41	10.40	10.48	10.43
Salt Lake City	9.35	9.42	9.53	9.62	9.73	9.80	9.90	9.98	10.12	10.24	10.35	10.36	10.33	10.38	10.31	10.43
San Francisco	11.58	11.84	12.01	12.20	12.30	12.39	12.45	12.55	12.68	12.80	12.89	12.96	13.02	13.13	13.03	13.19
Seattle	10.39	10.42	10.50	10.52	10.60	10.65	10.61	10.60	10.61	10.61	10.81	10.89	11.00	11.02	11.10	11.37

RESIDENTIAL RENTS IN TYPICAL CITIES



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

1933 TO 1938

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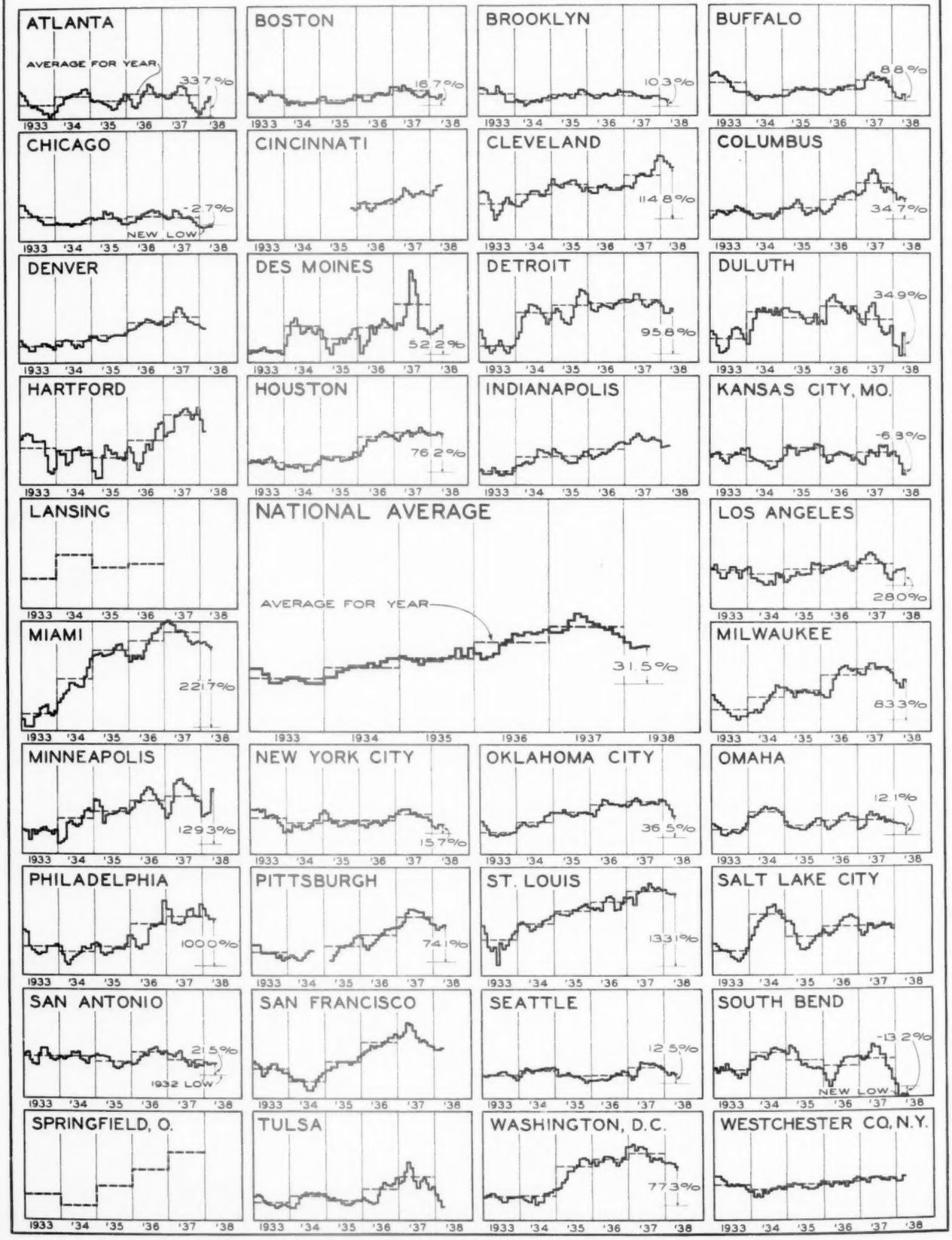
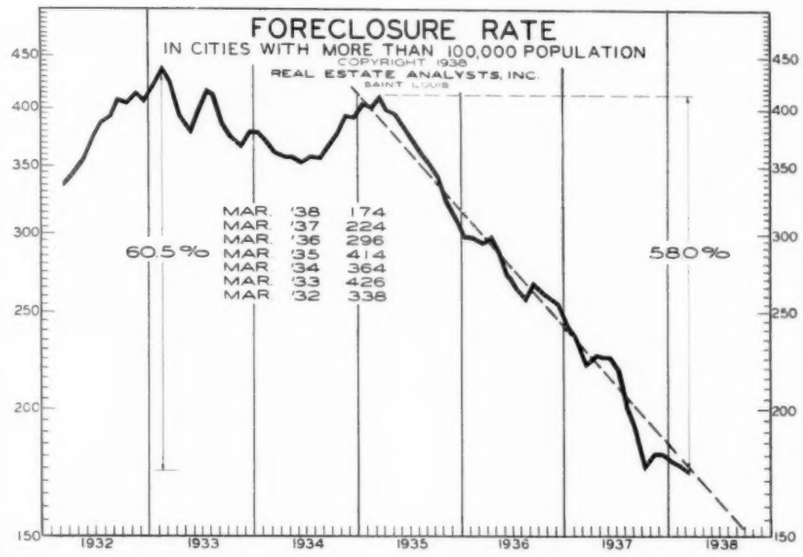
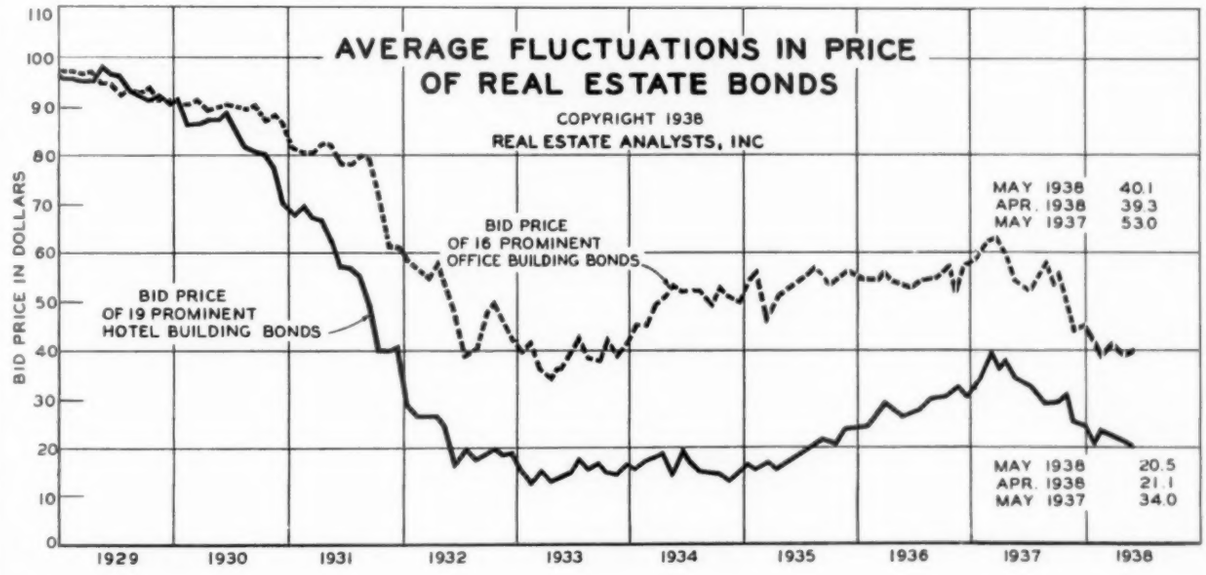




THE chart to the left shows the monthly fluctuations in the foreclosure rate in cities having more than 100,000 population. This chart is corrected for seasonal fluctuation and is based on the compilations made by the HOLC. The dashed line shows the trend at which foreclosures have been dropping for the past three years. The figure for March, which is the last figure available, showed a continuation of the downward trend. It is 22.3% below the level of a year ago, 58.0% below the peak of 1935, and 60.5% below the all-time peak of 1933.



THE chart above shows the average fluctuations in the bid prices of office and hotel building bonds. The trend of both office building and hotel building bonds has been downward during most of 1937 and the beginning of 1938. The buildings used are only those on which quotations can be secured monthly. The office building list includes the following: Broadway Motors, Bryant Park, Bush Terminal, Carbide and Carbon, Chesebrough, Chrysler, Cleveland Terminal, Equitable (N.Y.), Graybar, Grant, Liggett, One LaSalle Street, Postum, Textile, Wanamaker (Phila.), Woodbridge. The hotel list includes the following: Bowman-Biltmore, Eastern Ambassador Hotel, Eppley Hotels, George Washington Hotels, Hotel Lexington, Hotel Sherman, Hotel St. George, LaSalle Hotel, Lord Baltimore, National Hotel of Cuba, Palace Hotel (San Francisco), Park Central Hotel, Pitts Hotel, Savoy-Plaza, Sevilla-Biltmore, Sherry-Netherland, Stevens Hotel, Waldorf-Astoria.